

**SPENDING  
AFFORDABILITY  
COMMITTEE**

400 Washington Avenue  
Towson, Maryland 21204  
410-887-3196  
410-887-5791 (Fax)

**MEMBERS**

Joseph Bartenfelder  
Chairman  
Councilman, 6th District

Kenneth Oliver  
Councilman, 4th District

John Olszewski  
Councilman, 7th District

John Hopkins  
Economist  
RESI Research & Consulting

John F. Gaburick  
Certified Public Accountant

**STAFF**

Brian J. Rowe, CPA  
County Auditor

Elizabeth J. Irwin  
Manager of Budget Analysis and  
Fiscal Research

Paul R. Maihan  
Principal Analyst

Adam J. Lumia  
Staff Analyst

Kevin D. Reed  
Staff Analyst

Michelle F. Ganjon  
Legislative Specialist

***Spending Affordability Report***  
***Fiscal Year 2005***



***Baltimore County, Maryland***

***February 13, 2004***



## **SPENDING AFFORDABILITY COMMITTEE**

February 13, 2004

Honorable Members of the Baltimore County Council  
Honorable James T. Smith, Jr., County Executive

I am pleased to submit the report of the Spending Affordability Committee, reflecting the Committee's fiscal policy recommendations for fiscal year 2005.

For fiscal year 2005, the Committee establishes a spending affordability guideline of \$1,249,615,241, based on a personal income growth forecast of 4.00%. This represents maximum potential growth in base spending of \$48,062,125 over FY 2004. The Committee also recommends that debt service not exceed nine percent of FY 2005 General Fund revenues (or \$114,534,000) and that total outstanding debt not exceed two percent of FY 2005 estimated assessed real property value (or \$957,182,820).

These guidelines are meant to limit spending such that the cost of government services does not grow at a faster pace than the growth in the County's economy as measured by the growth in personal income of County citizens. However, it is important to emphasize that the submitted and approved budgets may exceed the guidelines if a rationale for doing so is provided.

In determining its guidelines, the Committee reviewed current and projected conditions of the national, state, and local economies. Many economic uncertainties currently exist, including the burden the federal budget deficit will be placing on credit markets, the outcome of the State's fiscal crisis, and the future direction of consumer spending in light of a heavy consumer debt load and only modestly rising income. At the same time, various economic indicators suggest that the state and local economies have been performing more strongly than the national economy. Committee members agreed that the County's economy, and the personal income of its residents, will continue to grow in FY 2005.

I would like to thank my Council colleagues on the Committee for their thoughtful participation in the committee process. I also thank Mr. John F. Gaburick, whose thoughtful insights have been invaluable during the Committee's deliberations; Mr. John Hopkins, who helped Committee members understand and interpret much of the economic data presented to the Committee; and RESI Research and Consulting of Towson University, which supplied the Committee with its personal income forecast and other valuable economic analysis. Furthermore, the Baltimore County Economic Advisory Committee, chaired by Mr. Anirban Basu, CEO, Optimal Solutions Group, LLC, assisted the decision-making process by providing real-time views and observations about the state of the local economy.

Finally, I would also like to acknowledge the support of the County Auditor's Office. A very special thanks to Brian J. Rowe, County Auditor; Elizabeth J. Irwin, Manager of Budget Analysis and Fiscal Research; Paul R. Maihan, Principal Analyst; Adam J. Lumia and Kevin D. Reed, Staff Analysts; and Michelle F. Ganjon, Legislative Specialist, for their great help and spirit of cooperation.

We hope that this report is given careful consideration in the development and review of the County's operating and capital budgets for fiscal year 2005.

Sincerely,

Joseph Bartenfelder, Chairman  
Spending Affordability Committee  
Councilman, 6th District

## Table of Contents

	<u>Page</u>
Introduction .....	1
Economic Outlook .....	2
Spending Affordability Guideline .....	5
Estimated Final Spending .....	6
Debt Affordability Guidelines .....	8
General Fund Revenues .....	10
General Fund Surplus .....	11

## INTRODUCTION

*The Baltimore County Spending Affordability Committee was established in order to limit growth in County government spending to a level that does not exceed growth in the County's economy.*

*The Spending Affordability Committee submits its report by February 15 of each year in order to provide timely input into the budgeting process.*

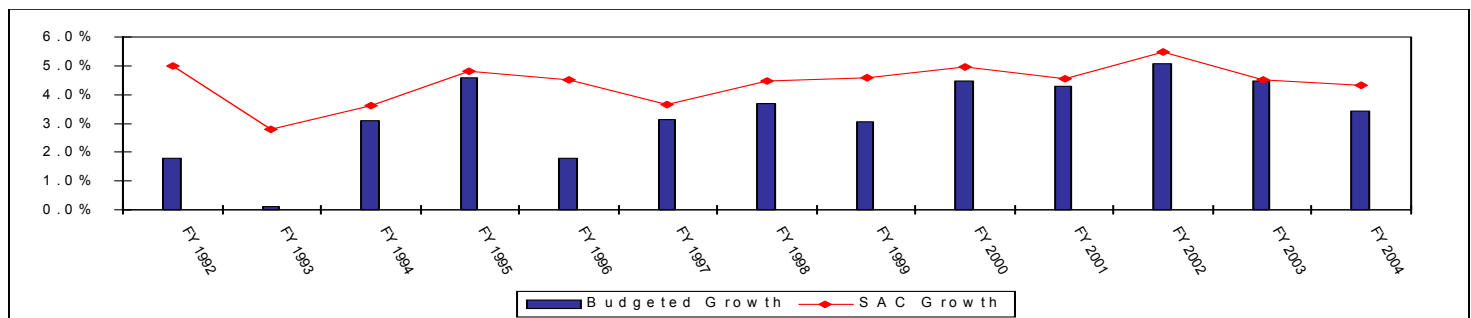
*The Committee notes that the FY 2004 budget included approximately \$10 million in surplus to fund on-going expenses. This is contrary to sound fiscal policy and continued reliance on surplus funds to support on-going expenses should be discouraged.*

In March 1990, the Baltimore County Council enacted legislation (Bill 33-90) that established a spending affordability law (Code sections 15-281 to 15-287) for Baltimore County to ensure that growth in County spending does not exceed the rate of growth of the County's economy. The law mandates that the Spending Affordability Committee make a recommendation each fiscal year on a level of County spending that would be consistent with the County's economic growth.

By law, the Spending Affordability Committee must submit its report to the County Council and County Executive by February 15 of each year. This reporting date allows the Executive ample time to consider the Committee's recommendations before formally presenting the proposed budget to the Council on or before April 16 of each year. The purpose of this report is to provide formal input, from the County Council to the County Executive, related to the formulation of the County budget. Such reporting is a significant component of the governmental system of checks and balances, helping to ensure that the operation of County government remains affordable for its citizens.

Committee guidelines are intended to set recommended maximum County spending levels that should not be exceeded in a particular fiscal year (Figure 1.); however, they may be exceeded at the discretion of the County Executive and County Council if a rationale is provided for doing so. The Committee hopes that the County's fiscal year 2005 operating and capital budgets are within the Committee's recommended guidelines. The Committee notes that the adopted FY 2004 budget included approximately \$10 million in surplus to fund on-going operating expenses. This is contrary to sound fiscal policy and continued reliance on surplus funds to support on-going expenses should be discouraged. Accordingly, the Committee hopes that future budgets would not use surplus to fund on-going expenses since this practice inevitably leads to a "structural deficit" in which future ongoing operating revenues are insufficient to support ongoing operating expenditures.

Figure 1. SAC Growth Factors and Budgeted Growth Since Committee Establishment



Sources: FY 1992—FY 2004 SAC Reports; FY 1992 - FY 2004 Adopted Budgets.

## ECONOMIC OUTLOOK

*The current economic outlook for the U.S., Maryland, and Baltimore County is positive.*

*The recession that began in early 2001 and ended later that same year was mild compared to previous recessions.*

*However, the nation's recovery from this recession has been tepid.*

*State and local labor markets have performed well compared to the national experience. In contrast to national trends, resident employment in Maryland and Baltimore County has increased since the onset of the recession and the unemployment rate has remained well below the national rate.*

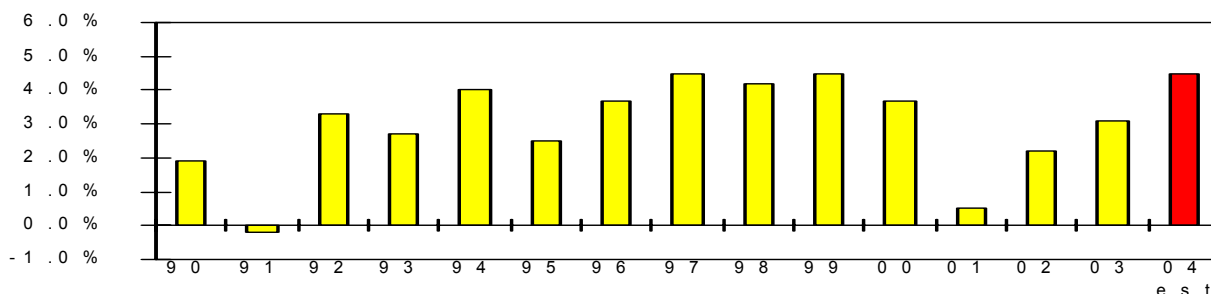
The Committee reviewed current and projected economic conditions to ensure that its recommendations are consistent with the local economic outlook. This review revealed a positive outlook for the national, state, and county economies.

From March 2001 to November 2001, the U.S. experienced a brief recession. The length of the decline (eight months) was the same as the length of the previous recession (July 1990 to March 1991). However, from the peak of economic activity in 2000:Q4 to the trough in 2001:Q3, the real Gross Domestic Product (GDP) contracted by only 0.5% compared to a contraction of 1.3% in the previous recession. In fact, despite a decline in real GDP for three quarters in 2001, real GDP for 2001 overall showed positive growth (albeit less than one percent). Additionally, while real GDP grew by an average of 4.4% annually from 1995 to 2000, it increased by only 2.2% and 3.1% in 2002 and 2003, respectively (Figure 2).

Perhaps reflecting the mildness of the recession, the nation's recovery, for the most part thus far, has been tepid. From March 2001 to December 2003, total non-farm employment in the U.S. declined by 2.4 million jobs, or by 1.8%. Since March 2001, the national unemployment rate has increased by 1.4 percentage points, to 5.7% in December 2003.

State and local labor markets have performed relatively well since the onset of the recession. From March 2001 to November 2003, resident employment in Maryland increased by 110,770 persons, or by 4.1%, and in Baltimore County, resident employment increased by 10,806 persons, or by 2.8%. State and local employment numbers are at times subject to considerable revisions, but indisputably, the positive employment performance in Maryland and Baltimore County stands in stark contrast to the pronounced downward national trend. In November 2003, the Maryland and Baltimore County unemployment rates stood at 4.1% and 4.6%, respectively—increasing by only 0.4 and 0.7 percentage points since the start of the recession.

Figure 2. Real Gross Domestic Product: Annual Percentage Change



Estimate Source: National Association for Business Economics, November 2003

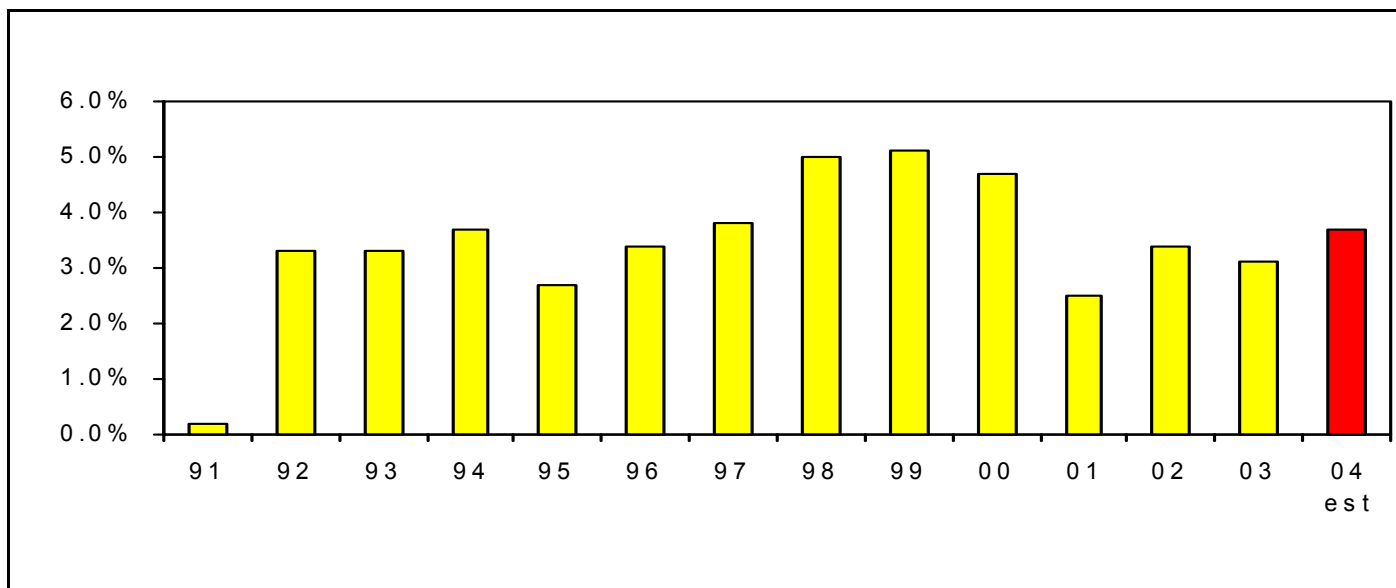
*The particular mix of jobs offered in Maryland and Baltimore County has buffered the local economy.*

Maryland and Baltimore County were less vulnerable to the recent economic contraction most likely due to their relatively high proportion of residents who are federal government employees, defense contractors, and health and educational service workers, and their relatively low proportion of residents who hold manufacturing jobs. The recent downturn and the slow recovery to date has had a significant negative effect on the manufacturing sector. In total, 2.4 million jobs were eliminated nationwide from March 2001 to December 2003, with an equal number of jobs (2.4 million) lost in manufacturing alone. The manufacturing sector currently employs 11.1% of the U.S. labor force compared to 15.0% ten years ago. However, this sector only provides 6.1% and 8.3% of the jobs in Maryland and Baltimore County, respectively.

*Consumer confidence, which is measured nationally, has declined recently but remains well above a nine-year low reached in March 2003.*

Due to nagging concerns about the national job market, the Conference Board's Consumer Confidence Index (based on a survey of 5,000 U.S. households), showed a small decline in December 2003. However, the Index is up nearly 30 points since March 2003 when it hit a nine-year low due to war concerns and a weak economy and labor market. Since consumer spending (Figure 3) accounts for two-thirds of GDP, the broadest measure of U.S. economic activity, a fall-off in consumer participation in the economy would cause the economy to slow and limit certain County revenue. But, the Expectations portion of the Consumer Confidence Index increased in December 2003 and according to the Conference Board, improving consumer expectations signals healthy economic growth through December 2004.

Figure 3. Real Consumer Spending: Annual Percentage Change



Estimate Source: National Association for Business Economics, November 2003

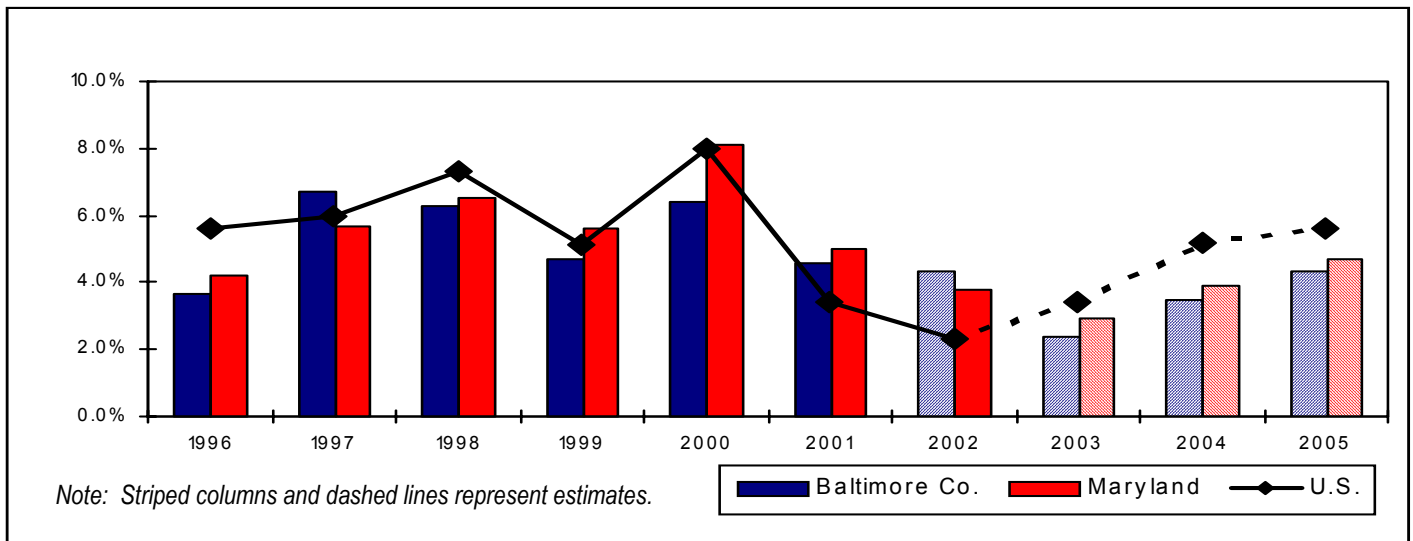
**Economic growth is expected to accelerate in 2004 and grow more modestly in 2005.**

The weak employment picture continues to be a point of concern for both the longevity and strength of the economic recovery, as well as its impact on County and State revenue. Nationally in January, nonfarm payroll increased by only 112,000 jobs, well below the 160,000 jobs that economists were expecting. However, employment has increased for five consecutive months and this modest improvement is consistent with underlying economic strength, since employment gains tend to be a lagging and not a leading indicator. According to the January 2004 outlook from Global Insight (formerly known as Data Resources, Inc. - Wharton Econometric Forecasting Associates), even with the current weak labor market, real GDP is expected to grow by 4.7% in 2004 compared to growth of 0.5% in 2001, 2.2% in 2002, and 3.1% in 2003. For 2005, real GDP is expected to grow by 4.0%.

**Growth in personal income will be relatively modest compared to recent years, but high enough that the County will likely see gains in income tax revenues.**

Given the overall economic environment, Global Insight is projecting national gains in personal income of 5.2% and 5.6% in calendar years 2004 and 2005, respectively. Local personal income forecasts by the Regional Economic Studies Institute at Towson University for December project FY 2005 personal income growth of 4.3% in Maryland and 4.0% in Baltimore County (see Figure 4). These levels of growth in personal income are relatively modest compared to the late 1990's, but are large enough that the County will likely see a solid gain in income tax revenue for FY 2005.

Figure 4. National, State, and Local Personal Income Growth



Projections: Maryland and Baltimore County: RESI - December 2003; U.S.: Bureau of Revenue Estimates - December 2003



## SPENDING AFFORDABILITY GUIDELINE

*The Committee has adopted the growth in personal income as the best indicator of the growth in the County's economy. For FY 2005, the growth in personal income is forecasted to increase by 4%, or a factor of 1.04.*

*Increasing FY 2004 base spending of \$1,201,553,116 by 4% yields a FY 2005 SAC spending guideline of \$1,249,615,241, a \$48 million maximum allowable increase in base spending.*

*Because of certain exclusions to base spending, the adopted budget may exceed the spending guideline adopted by the Committee.*

The Committee has adopted personal income growth as its gauge of economic growth in Baltimore County. Accordingly, the spending affordability guideline for a given fiscal year is calculated by multiplying the previous fiscal year's estimated "base" spending level (as defined by the Committee) by the Committee's adopted personal income growth factor (Figure 5). The personal income growth factor, which reflects the estimated percentage growth in County personal income, is based on RESI's most recently published Baltimore County personal income growth forecast (4.0%, as of December 2003).

Multiplying the FY 2004 base spending level (\$1,201,553,116) by the personal income growth factor (1.0400) results in a spending affordability guideline of \$1,249,615,241 (Figure 7). This guideline represents a \$48 million maximum potential growth over the FY 2004 base-year spending. **Accordingly, the Committee recommends that the FY 2005 operating budget ("base spending" as defined by the Committee) not exceed \$1,249,615,241. The Committee also recommends that ongoing operating expenses not be funded from surplus funds.**

It is important to note that "base spending" as defined by the Committee to which the personal income growth factor is applied excludes certain significant appropriations (Figure 6). These exclusions are based on the premise that the underlying funding is either non-local, such as in the case of State and Federal grants, or one-time, non-recurring expenditures, such as contributions to the Capital budget. In some cases, the appropriation may represent only a reserve of funds and not an actual expenditure. Given the nature of the associated appropriations, their growth should not be measured by the growth in the County's economy but rather by some other factor. Accordingly, such expenditures are not subject to Spending Affordability at this time. Therefore, the adopted budget may exceed the guideline established by the Committee but only for those limited exclusions identified by the Committee.

Figure 5. Calculation of the Spending Affordability Guideline

The Spending Affordability Guideline for the new fiscal year is calculated by applying a personal income growth factor to the previous year's estimated "base" spending level, as defined by the Committee. Specifically, the recommended level of spending is calculated as follows:

- General Fund Operating Budget Appropriations (previous fiscal year)
- + Supplementary Appropriations
- Adjustment for spending not subject to the spending affordability guideline (selected non-County funds, General Fund contributions to the capital budget, reserve funds, local grants, and other adjustments itemized in Figure 6)
- Base Spending (previous fiscal year)
- x Growth Factor (projected personal income growth for the new fiscal year)
- Spending Affordability Guideline (new fiscal year)



Figure 6. Spending Affordability Committee Definition of Base Spending

**Base spending: Total General Fund appropriations less appropriations not subject to personal income growth, as itemized below.**

Appropriations Not Subject To Personal Income Growth

Appropriations Supported or Determined by Non-County Funds:

- State and Federal Grants Budgeted in the General Fund. These funds are not directly received from County taxpayers and therefore are not dependent upon or controlled by the growth in County personal income.
- Local Share—State and Federal Grants. The total required County General Fund match for all anticipated grants is based on the level (and match provisions) of grant funding. Acceptance of State and Federal grants is discretionary.
- Education—Federal/Restricted Program. The required County General Fund match for such funds in the Department of Education is similarly based on the level (and match provisions) of grant funding.

Capital Budget-Related Appropriations:

- Pay-As-You-Go (PAYGO) Appropriations. The General Fund contribution to the capital budget, if any, is determined annually based on funds that are available and not otherwise committed to supporting County services. Thus, such expenditures may be viewed as one-time outlays, not subject to personal income growth.

Appropriations to Certain Reserve Funds and Contingencies:

- Appropriations to the Revenue Stabilization Reserve Account (RSRA). Appropriations or transfers to the RSRA do not represent expenditures but rather a reserve of funds available in case of an operating deficit. These funds are legally required to equal at least 5% of the General Fund budget.
- Contingency Reserve Appropriations. These funds are appropriated for unanticipated needs (e.g., emergencies) and are not earmarked for a specific purpose or program. As such, this appropriation does not represent an expenditure but rather a reserve for contingencies. If these funds are spent, the nature of the expenditure must be examined to determine its effect on base spending (i.e., one-time vs. ongoing).

Local Grants:

- Grants Awarded by the Commission on Arts and Sciences. These grants are purely discretionary and may be viewed as one-time-only. As such, funding is subject to the availability of revenues and/or surplus and need not be limited to growth in personal income.

Other Adjustments:

- Specific exclusions for one-time, nonrecurring costs or revenues such as spending by the Board of Education for items excluded from the State's maintenance of effort requirement. Such exclusions are determined on a year-to-year, case-by-case basis.

## ESTIMATED FINAL SPENDING

*The Committee continues to believe that the estimated final spending methodology is the most appropriate method for determining base-year spending.*

As in past years, the Committee believes that base year spending should reflect all approved and planned spending, or in other words, estimated final spending. This methodology recognizes that certain adjustments in planned spending may occur after the budget is adopted. Such adjustments may include increases for supplementary appropriations, decreases due to federal or State aid reductions impacting the General Fund or shortfalls in local revenues that are known or estimated prior to the adoption of the guideline. For this year, although there have been no supplemental appropriations approved or introduced, the Committee is cognizant of the potential need for a supplemental appropriation for storm emergencies. However, the nature of any such supplemental appropriation would be

*Although the Committee is cognizant of anticipated supplemental appropriations due to storm emergencies, the Committee does not recommend any adjustments to base-year spending since there would be no impact on on-going expenditures.*

such that it would be considered a non-recurring expenditure and therefore, would be excluded from the guideline. Additionally, while the County was subject to State aid reductions, these reductions were already reflected in the adopted budget. Finally, the most recent revenue projections indicate that revenues will be slightly higher than budget estimates and therefore no reduction to revenue shortfalls is anticipated. Accordingly, the FY 2004 base-year spending has not been adjusted for any anticipated changes in planned spending.

Figure 7. FY 2004 and FY 2005 Spending Guidelines

	FY 2004 Guideline	FY 2005 Guideline
Adopted General Fund Operating Budget, Prior Year	\$1,199,183,370	<b>\$1,238,231,663</b>
Supplemental General Fund Appropriations	142,787	<b>0</b>
Total General Fund Appropriations	1,199,326,157 (A)	<b>1,238,231,663 (A)</b>
Adjustments:		
Selected Non-County Funds		
State and Federal Grants in Aid (excluding tax reimbursement)	(28,959,152)	<b>(25,146,685)</b>
Local Share - State & Federal Grants	(4,881,945)	<b>(4,855,383)</b>
Education - Federal/Restricted Program	(925,000)	<b>(38,529)</b>
Capital-Related Items		
PAYGO	(1,000,000)	<b>(3,045,000)</b>
Reserve Funds		
Contingency Reserve	(701,455)	<b>(1,000,000)</b>
Local Grants		
Arts & Science Grants	(3,781,950)	<b>(2,592,950)</b>
One-time-only Expenditures	(298,545)	<b>0</b>
Total Adjustments	(40,548,047) (B)	<b>(36,678,547) (B)</b>
Base Spending (A - B)	\$1,158,778,110 (C)	<b>\$1,201,553,116 (C)</b>
Growth Factor	1.0432 (D)	<b>1.0400 (D)</b>
Spending Guideline (C x D)	\$1,208,837,324	<b>\$1,249,615,241</b>
<b>Maximum Allowable Growth in Base Spending</b>		<b>\$48,062,125</b>

## DEBT AFFORDABILITY GUIDELINES

*The Committee also adopts two debt affordability guidelines, one pertaining to debt service and the other to total debt outstanding.*

*The Committee recommends that debt service not exceed nine percent of General Fund revenue.*

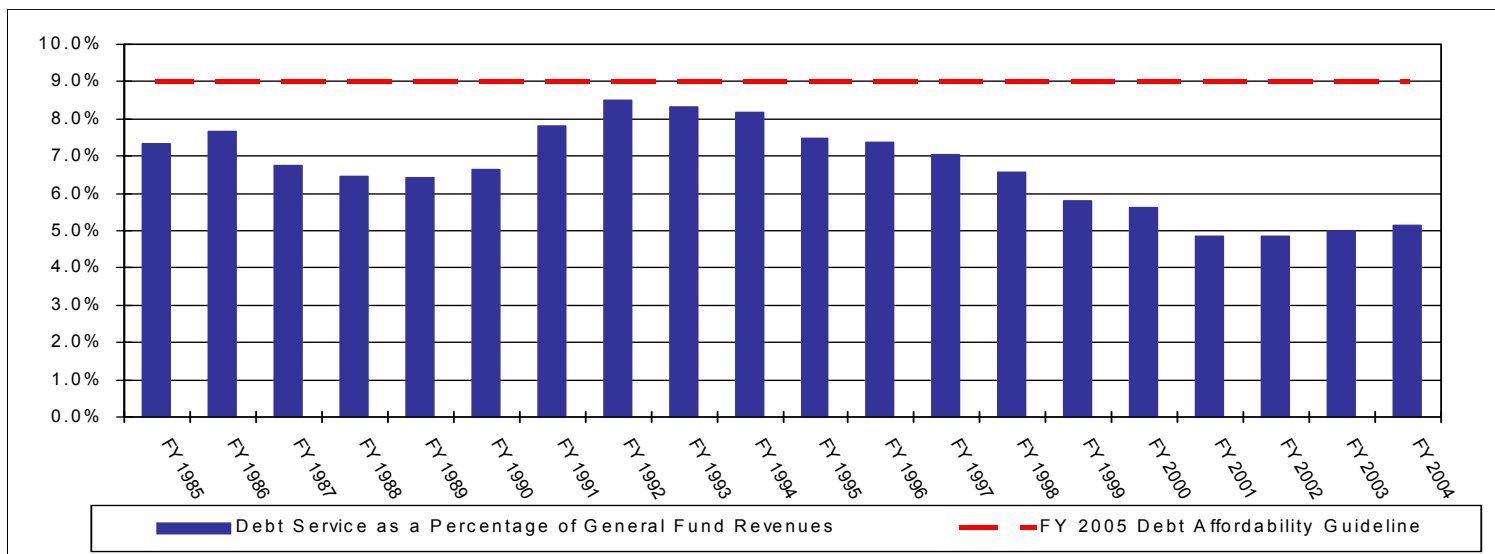
*The Committee also recommends that total debt outstanding not exceed two percent of assessed real property value.*

In addition to recommending a maximum spending level for the County's operating budget, the Committee adopts two debt affordability guidelines. The Committee's debt affordability recommendations provide an enhanced system of checks and balances, further demonstrating the County's fiscal responsibility to its citizens, bond rating agencies, and others in the financial community. The debt guidelines are based on: (1) the County's level of debt service as a percentage of General Fund revenue; and (2) the County's total debt outstanding as a percentage of assessed real property value.

The ratio of debt service to General Fund revenue is a debt affordability indicator. Credit analysts generally concur that a ratio higher than 1:10 (i.e., over ten percent) suggests that the debt burden is too heavy. The Administration's financial guidelines historically have set a target range of eight to nine percent; from FY 1985 to FY 2004, the amount budgeted for debt service ranged from 4.9% to 8.5% of General Fund revenue (Figure 8.). The Committee has established a policy that debt service should not exceed nine percent of General Fund revenue. **Accordingly, for FY 2005, the Committee recommends that debt service not exceed \$114,534,000.**

The ratio of total outstanding debt to assessed property value is a second measure of debt affordability. The County Charter mandates that total County outstanding debt shall not exceed ten percent of the County's assessable base. The Administration's financial guidelines historically have set a target range of 1.4% to 2.0% for debt as a percentage of full (assessed property) value. The Committee believes that a debt guideline should apply only to real property and not to personal property because personal property is not capital in nature and is not typically associated

Figure 8. Debt Service as a Percentage of General Fund Revenues



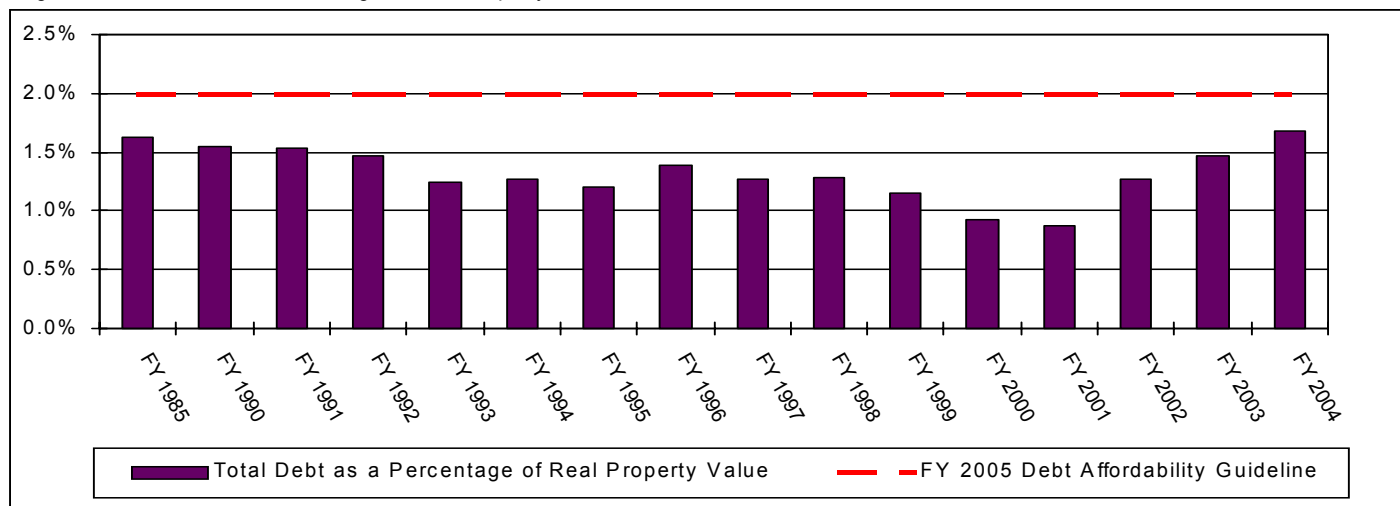
Note: Excludes debt service related to pension funding and metropolitan district bonds; FY 2004 ratio is an estimate.

Source: Baltimore County Annual Budget Documents; Baltimore County Office of Budget and Finance

**The recommended guideline for outstanding debt does not include personal property.**

with debt instruments. From FY 1985 to FY 2004, total outstanding debt ranged from 0.9% to 1.7% of full real property value (Figure 9.). The Committee has established a policy that total outstanding debt should not exceed two percent of assessed real property value. **Accordingly, for FY 2005, the Committee recommends that total outstanding debt not exceed \$957,182,820.**

Figure 9. Total Debt as a Percentage of Real Property Value



Note: Excludes debt related to pension funding and metropolitan district bonds; FY 2004 ratio is an estimate.

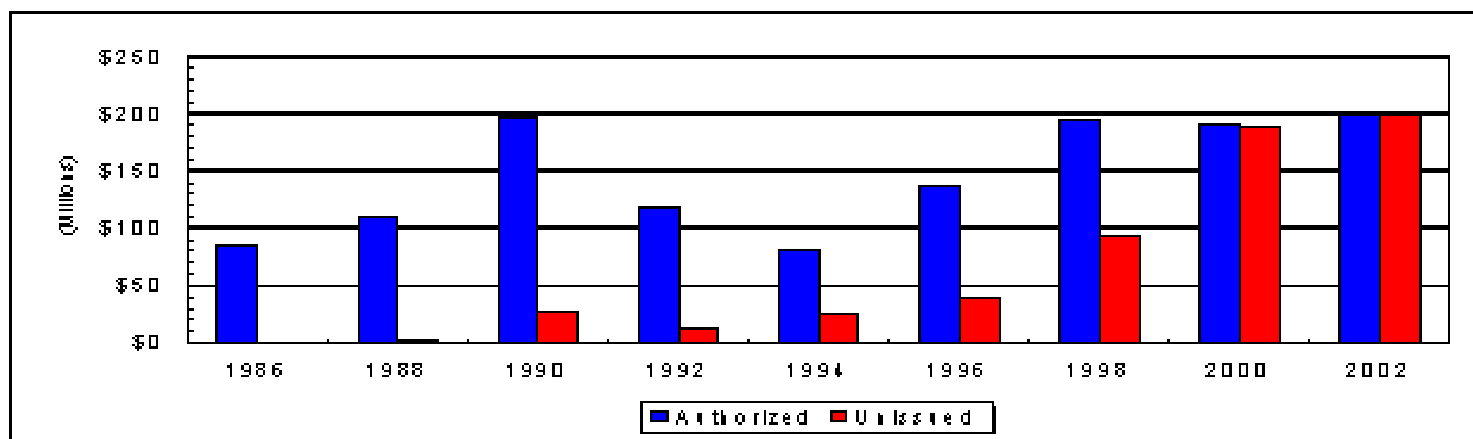
Sources: Baltimore County Comprehensive Annual Financial Reports; Baltimore County Office of Budget and Finance; Maryland Department of Assessments and Taxation.

**Only 45% of the bonds authorized from 1986 to 2002 have been issued.**

**The Committee will continue to monitor the County's debt issuances.**

For 1986 through 2002, Consolidated Public Improvement (CPI) Bond Referenda authorized the County to issue \$1,315,809,000 in new bonds for projects ranging from community improvements to schools and libraries. To-date, \$590,364,000 or 44.9% of the authorized bonds have been issued, leaving an unissued balance of \$725,445,000 (See Figure 10). The Committee reviewed the County's short and long-term bond issuance schedules and expressed some concerns regarding the County's increasing debt burden in recent years. The Committee will continue to monitor the County's debt issuances and hopes that the County will continue to stay within the recommended guideline.

Figure 10. Consolidated Public Improvements and Bond Referenda—Authorized and Unissued Debt Amounts



## GENERAL FUND REVENUES

*FY 2004 General Fund revenue is projected to increase by only 0.6%, mostly reflecting lower intergovernmental aid and stronger than anticipated one-time revenue received in FY 2003.*

*FY 2005 General Fund revenue, excluding a one-time infusion of income tax revenue attributable to prior years, is projected to grow by 2.8%, the best rate of growth since FY 2001.*

*FY 2005 projected revenue growth totals \$46.3 million compared to the SAC Guideline's maximum spending growth of \$48 million.*

FY 2004 General Fund revenue is projected to reach \$1,236.5 million, up \$7.6 million, or 0.6%, from FY 2003 totals. The estimated slow growth in revenues for FY 2004 reflects, for the most part, State aid reductions, certain one-time revenues received in FY 2003 that will not be repeated in FY 2004, and expected reductions in property-related transfer revenues due to a housing market that is likely to slow as interest rates rise. It is anticipated that losses in these revenue categories will be offset with continued increases in property tax revenues due to rising property values and rising income tax revenues as GDP gains momentum and the employment and personal income picture improves.

FY 2005 General Fund revenue is estimated to reach \$1,282.8 million, up \$46.3 million, or 3.7%, from FY 2004 totals (Figures 11 and 12). However, this includes a one-time infusion of income tax receipts from the State totaling \$12 million attributable to prior tax years. Without this one-time infusion of income tax revenue, the FY 2005 revenue is estimated to grow by \$34.3 million, or 2.8% over FY 2004. This pick-up in FY 2005 revenue growth follows a 3-year period (FY 2001 to FY 2004) when total General Fund revenue is estimated to have increased by only 3.1%. At no time in recent history (i.e., since FY 1970) has General Fund revenue displayed such a weak 3-year performance. The FY 2005 estimate, excluding the one-time infusion of income tax revenue, reflects continued growth in property and income tax revenues, offset by somewhat lower revenues related to property transfers and assumes no additional reductions in State aid to local governments other than a utility grant reduction in the Governor's proposed budget.

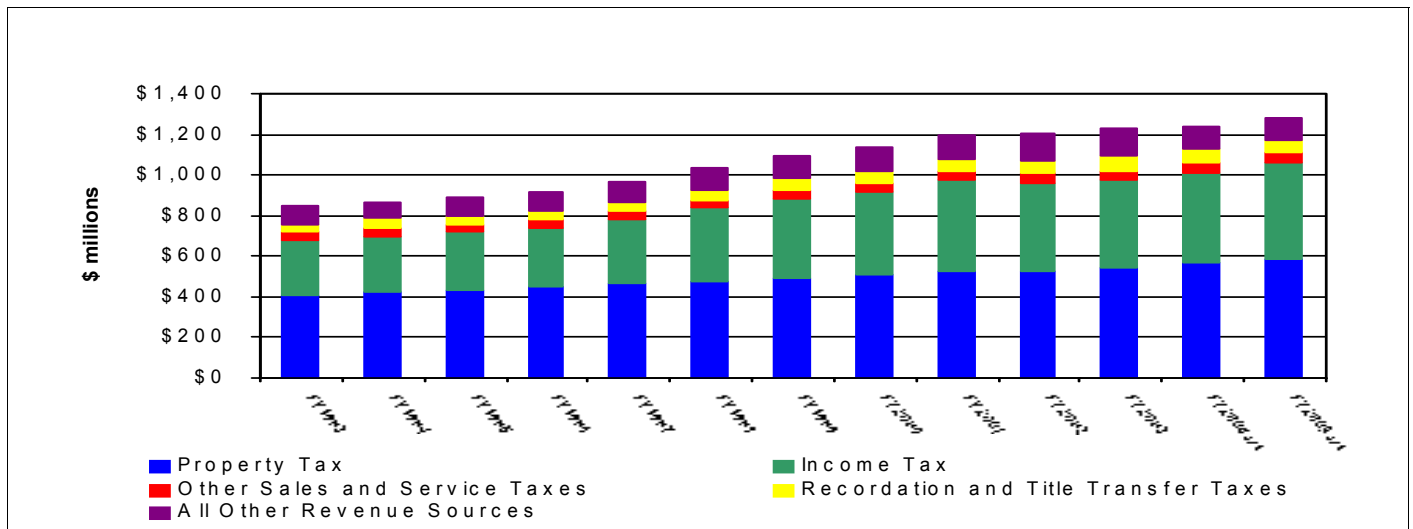
As stated above, the projected FY 2005 General Fund revenue growth totals \$46.3 million over FY 2004 estimated revenues. This compares to a maximum potential growth of \$48 million in accordance with the Committee's FY 2005 Spending Guideline.

Figure 11. General Fund Revenue Forecast, FY 2004—FY 2005

Revenue Source	(\$ in Millions)				
	FY 2003	FY 2004	FY 2005	Percent Change	
	Actual	Revised	Estimate	FY 03-04	FY 04-05
Property taxes	\$547.0	\$566.1	\$588.3	3.5%	3.9%
Income taxes	430.2	442.2	473.8 *	2.8%	7.1%
Recordation & title transfer taxes	75.0	67.5	60.8	-10.0%	-9.9%
Other sales & service taxes	45.2	49.0	48.1	8.4%	-1.8%
Licenses & permits	3.9	4.0	4.0	2.6%	0.0%
Fines, forfeitures & penalties	5.0	5.5	5.5	10.0%	0.0%
Service charges	11.0	9.5	9.5	-13.6%	0.0%
Interest on investments	4.4	4.0	4.5	-9.1%	12.5%
Intergovernmental aid	71.2	60.1	59.3	-15.6%	-1.3%
Other	36.0	28.6	29.0	-20.6%	1.4%
<b>TOTAL</b>	<b>\$1,228.9</b>	<b>\$1,236.5</b>	<b>\$1,282.8</b>	<b>0.6%</b>	<b>3.7%</b>

\*Assumes an additional \$12 million in income tax revenue due to a proposal in the Governor's FY 2005 budget concerning unallocated income tax revenue.

Figure 12. Baltimore County Revenues



Source: Baltimore County Comprehensive Annual Financial Report.

### GENERAL FUND SURPLUS

*The FY 2003 General Fund surplus was \$125.5 million and included \$66.0 million in the RSRA.*

For FY 2003, the General Fund surplus totaled \$125.5 million. This amount included \$66.0 million in the Revenue Stabilization Reserve Account (RSRA), which was \$5.8 million more than the minimum required (five percent of the General Fund budget) due to investment income that has accrued to the account since FY 2001. The remaining \$59.5 million represents an undesignated, unreserved surplus.

*The FY 2004 General Fund surplus is estimated to total \$123.8 million and includes \$67.1 million in the RSRA.*

For FY 2004, it is estimated that the General Fund surplus will total \$123.8 million. This amount includes \$67.1 million in the RSRA, which is \$5.2 million more than the minimum required. The remaining \$56.7 million represents an undesignated, unreserved surplus (Figure 13).

Figure 13. Estimated General Fund Surplus, FY 2004

(\$ in Millions)		
<b>FY 2003 General Fund Surplus</b> (per Baltimore County Comprehensive Annual Financial Report)		<b>\$ 125.5</b>
FY 2004 Revenue Estimate (per Adopted Budget)	1,221.2	
FY 2004 Revision (per SAC)	<u>15.3</u>	
FY 2004 Revised Revenue Estimate (per SAC)		1,236.5
FY 2004 General Fund Appropriations (per Adopted Budget)	1,238.2	
FY 2004 Supplemental Appropriations	<u>0.0</u>	
FY 2004 Revised General Fund Budget		<u>(1,238.2)</u>
<b>FY 2004 Estimated General Fund Surplus</b> (per SAC)		<b>\$ 123.8</b>
Revenue Stabilization Reserve Account		\$ 67.1
Undesignated Unreserved Surplus		\$ 56.7